

**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF**  
**SOUTH CAROLINA**  
**DOCKET NO. 2011-2-E**

**March 17, 2011**

IN RE:	)	
	)	
South Carolina Electric & Gas Company -	)	<b>SETTLEMENT AGREEMENT</b>
Annual Review of Base Rates for	)	
Fuel Costs	)	
_____	)	

This Settlement Agreement is made by and among the South Carolina Office of Regulatory Staff (“ORS”), South Carolina Energy Users Committee (“SCEUC”), and South Carolina Electric & Gas Company (“SCE&G”) (collectively referred to as the “Parties” or sometimes individually as a “Party”).

WHEREAS, the above-captioned proceeding has been established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedure established in S.C. Code Ann. §58-27-865 (Supp. 2010), and the Parties to this Settlement Agreement are parties of record in the above-captioned docket;

WHEREAS, the Parties have varying legal positions regarding the issues in this case;

WHEREAS, the Parties have engaged in discussions to determine if a settlement would be in their best interest;

WHEREAS, following these discussions the Parties have each determined that their interest and the public interest would be best served by settling matters in the above-captioned case under the terms and conditions set forth below:

1. ORS’s review of SCE&G’s operation of its generating facilities resulted in ORS concluding that SCE&G has made reasonable efforts to maximize unit availability. Additionally,

ORS has determined that SCE&G took appropriate corrective action with respect to any outages that occurred during the review period.

2. The Parties agree to stipulate into the record before the Commission the direct testimony and exhibits of the following witnesses without objection, change, amendment or cross-examination with the exception of changes comparable to that which would be presented via an errata sheet or through a witness noting a correction.

a. SCE&G witnesses:

- i. George A. Lippard, III
- ii. Joseph K. Todd
- iii. Michael Shinn
- iv. Rose Jackson
- v. Allen W. Rooks

b. ORS witnesses:

- i. Christina L. Seale
- ii. Michael L. Seaman-Huynh

3. The Parties agree to accept all adjustments and recommendations as put forth by ORS in the testimony of ORS witnesses Christina L. Seale and Michael L. Seaman-Huynh.

4. SCE&G's net cumulative (under)-recovered balance of total fuel costs for the periods ending December 2010 and April 2011 are (\$72,832,265) and projected to be (\$58,912,751), respectively. As of December 2010, the net cumulative (under)-recovered balance of (\$72,832,265) consists of cumulative (under)-recovered base fuel costs of (\$76,013,131) and cumulative over-recovered environmental costs of \$3,180,866. As of April 2011, the projected net cumulative (under)-recovered balance of (\$58,912,751) consists of cumulative (under)-recovered base fuel costs of (\$59,504,695) and cumulative over-recovered environmental costs of \$591,944.

5. SCE&G agrees to recover an amount equal to the actual base fuel under-collected balance as of April 30, 2011, which is projected to be \$59,504,695, over a two year period commencing with the first billing cycle for May 2011. The Parties agree that SCE&G will be allowed to charge and accrue carrying costs monthly on an amount equal to the actual under-collected balance as of April 30, 2011, less \$29,752,347.50. The applicable interest rate used to calculate the carrying costs under this Settlement Agreement is the rate of interest as of the first day of each month during the applicable period for the 3-year U.S. Government Treasury Note, as reported by the *Wall Street Journal*, either in its print edition or on its website, plus an all-in spread of 65 basis points (0.65 percentage points). The applicable period during which carrying costs may be applied pursuant to this Settlement Agreement begins May 1, 2011 and ends April 30, 2012 or when the under-collected balance is eliminated, whichever occurs first. The total carrying cost rate to include the 65 basis points shall not exceed 6%.

6. The two-year collection of the under-collected balance and its applicable carrying costs shall operate as follows:

- a. For the period of the first billing cycle of May 2011 through the last billing cycle of April 2012, SCE&G shall recover, in addition to its forecasted fuel costs, one-half of the projected under-collected balance, which is \$29,752,347.50, in the fuel rates set forth in Paragraph 8 below. As described in Paragraph 5 above, interest on the remaining portion of the actual under-collected balance as of April 30, 2011 shall accrue beginning May 1, 2011.
- b. The remaining portion of the actual under-collected balance as of April 30, 2011 plus accrued interest for the period of May 2011 through April 2012 shall be recovered through SCE&G's base fuel cost component beginning with the first billing cycle in May 2012 and ending with the last billing cycle of April 2013.

7. The Parties agree and recommend that the first dollars recovered in the succeeding twelve months beginning with the first billing cycle for May 2011 shall be applied to the under-collected balance so that in the next fuel proceeding for SCE&G any under-collected balance will be for the period May 1, 2011 through April 30, 2012.

8. The appropriate fuel factors for SCE&G to charge pursuant to this Settlement Agreement for the period beginning with the first billing cycle in May 2011 extending through the last billing cycle for April 2012 are listed below and set forth in the tariff sheet entitled "Adjustment for Fuel and Variable Environmental Costs," which is attached hereto as Exhibit A.

<b>Class</b>	<b>Base Fuel Cost Component (cents/KWH)</b>	<b>Environmental Fuel Cost Component (cents/KWH)</b>	<b>Total Fuel Costs Factor (cents/KWH)</b>
Residential	3.586	0.069	3.655
Small General Service	3.586	0.047	3.633
Medium General Service	3.586	0.038	3.624
Large General Service	3.586	0.016	3.602
Lighting	3.586	0	3.586

9. The Parties agree the fuel factors set forth above are consistent with S.C. Code Ann. § 58-27-865 (Supp. 2010). Except as described in this paragraph, the Parties further agree that any and all challenges to SCE&G's historical fuel costs recovery for the period ending December 31, 2010, are not subject to further review; however, the projected fuel costs for the period beginning January 1, 2011, and thereafter shall be an open issue in future fuel costs proceedings held under the procedure and criteria established in S.C. Code Ann. § 58-27-865 (Supp. 2010). The Parties acknowledge that the V.C. Summer Plant was subject to an outage extension that occurred in 2009 as a result of an electrical fire. ORS conducted an extensive review of the Nuclear Regulatory Commission's and SCE&G's reports on the outage, and ORS concluded that SCE&G responded appropriately.

10. SCE&G agrees to apply any money received from litigation, arbitration, or negotiated settlements with coal suppliers, where the dispute is for non-deliveries, defaults or other similar non-performance issues or for other matters related to or associated with S.C. Code § 58-27-865, to reduce the fuel costs' account(s). SCE&G also agrees to provide to the parties with reports showing SCE&G's efforts to seek compensation for non-deliveries, defaults or other similar non-performance upon request.

11. SCE&G agrees to provide to ORS and SCEUC the following:

- a. Copies of the monthly fuel recovery reports currently filed with the Commission and ORS; and,
- b. Quarterly forecasts beginning with the quarter ending June 30, 2011 of the expected fuel factor to be set at SCE&G's next annual fuel proceeding and SCE&G's historical over (under)-collected balance to date. SCE&G agrees it will put forth its best efforts to forecast the expected fuel factor to be set at its next annual proceeding; however, all Parties agree that these quarterly forecasts will not be admitted into evidence in any future SCE&G proceedings.

12. The Parties agree this Settlement Agreement is reasonable, in the public interest, and in accordance with law and regulatory policy. This Settlement Agreement in no way constitutes a waiver or acceptance of the position of any Party concerning the requirements of S.C. Code Ann. § 58-27-865 in any future proceeding.

13. Further, ORS is charged with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B) (Supp. 2010). S.C. Code § 58-4-10(B)(1) through (3) reads in part as follows:

“...‘public interest’ means a balancing of the following:

- (1) Concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;

- (2) Economic development and job attraction and retention in South Carolina; and
- (3) Preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services."

14. The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution in the above-captioned proceeding. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

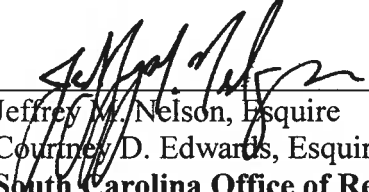
15. This written Settlement Agreement contains the complete agreement of the Parties. There are no other terms and conditions to which the Parties have agreed. This Settlement Agreement integrates all discussions among the Parties into the terms of this written document. The Parties agree that this Settlement Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will the Settlement Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission should decline to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement without penalty.

16. This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and e-mail signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the various

signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

WE AGREE:

**Representing and binding the South Carolina Office of Regulatory Staff**



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WE AGREE:

**Representing and binding South Carolina Energy Users Committee**



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WE AGREE:

**Representing and binding South Carolina Electric & Gas Company**



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## SOUTH CAROLINA ELECTRIC &amp; GAS COMPANY

## ELECTRICITY

## ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

## RETAIL RATES

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## APPLICABILITY

This adjustment is applicable to and is part of the Utility's South Carolina retail electric rate schedules.

The fuel and variable environmental costs, to be recovered in an amount rounded to the nearest one-thousandth of a cent per kilowatt-hour, will be determined by the following formulas:

$$F_C = \frac{E_F}{S} + \frac{G_F}{S_1}$$

$$F_{EC} = \frac{E_{EC} + G_{EC}}{S_2}$$

$$\text{Total Fuel Rate} = F_C + F_{EC}$$

## Where:

$F_C$  = Fuel cost per kilowatt-hour included in base rate, rounded to the nearest one-thousandth of a cent.

$E_F$  = Total projected system fuel costs:

- (A) Fuel consumed in the Utility's own plants and the Utility's share of fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518 excluding rental payments on leased nuclear fuel and except that, if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account.

## PLUS

- (B) Fuel costs related to purchased power such as those incurred in unit power and limited term power purchases where the fossil fuel costs associated with energy purchased are identifiable and are identified in the billing statement. Also, the cost of "firm generation capacity purchases," which are defined as purchases made to cure a capacity deficiency or to maintain adequate reserve levels. Costs of "firm generation capacity purchases" includes the total delivered costs of firm generation capacity purchased and excludes generation capacity reservation charges, generation capacity option charges and any other capacity charges.

## PLUS

- (C) Fuel costs related to purchased power (including transmission charges), such as short term, economy and other such purchases, where the energy is purchased on an economic dispatch basis, including the total delivered cost of economy purchases of electric power defined as purchases made to displace higher cost generation at a cost which is less than the purchasing Utility's avoided variable costs for the generation of an equivalent quantity of electric power.

Energy receipts that do not involve money payments such as diversity energy and payback of storage energy are not defined as purchased or interchange power relative to this fuel calculation.

## MINUS

- (D) The cost of fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Energy deliveries that do not involve billing transactions such as diversity energy and payback of storage energy are not defined as sales relative to this fuel calculation.

$S$  = Projected system kilowatt-hour sales excluding any intersystem sales.

$G_F$  = Cumulative difference between jurisdictional fuel revenues billed and fuel expenses at the end of the month preceding the projected period utilized in  $E_F$  and  $S$ .

$S_1$  = Projected jurisdictional kilowatt-hour sales, for the period covered by the fuel costs included in  $E_F$ .

$F_{EC}$  = Customer class variable environmental costs per kilowatt-hour included in base rates, rounded to the nearest one-thousandth of a cent.

Effective Upon Approval by the Public  
Service Commission of South Carolina

## SOUTH CAROLINA ELECTRIC &amp; GAS COMPANY

## ELECTRICITY

## ADJUSTMENT FOR FUEL AND VARIABLE ENVIRONMENTAL COSTS

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**E<sub>EC</sub>** = The projected variable environmental costs including: a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts consumed in reducing or treating emissions, plus b) the cost of emission allowances, as used, including allowances for SO<sub>2</sub>, NO<sub>x</sub>, mercury and particulates minus net proceeds of sales of emission allowances, and c) as approved by the Commission, all other variable environmental costs incurred in relation to the consumption of fuel and air emissions caused thereby, including but not limited to environmental reagents, other environmental allowances, and emission related taxes. Any environmental related costs recovered through intersystem sales would be subtracted from the totals produced by subparts a), b), and c).

These environmental costs will be allocated to retail customer classes based upon the customer class firm peak demand allocation from the prior year.

**G<sub>EC</sub>** = Cumulative difference between jurisdictional customer class environmental fuel revenues billed and jurisdictional customer class environmental costs at the end of the month preceding the projected period utilized in E<sub>EC</sub> and S<sub>2</sub>.

**S<sub>2</sub>** = The projected jurisdictional customer class kilowatt-hour sales.

The appropriate revenue-related tax factor is to be included in these calculations.

## FUEL RATES BY CLASS

The total fuel costs in cents per kilowatt-hour by customer class as determined by the Public Service Commission of South Carolina in Order No. \_\_\_\_-\_\_\_\_ are as follows for the period May, 2011 through April, 2012:

<u>Customer Class</u>	<u>F<sub>C</sub> Rate</u>	+	<u>F<sub>EC</sub> Rate</u>	=	<u>Total Fuel Rate</u>
Residential	3.586		0.069		3.655
Small General Service	3.586		0.047		3.633
Medium General Service	3.586		0.038		3.624
Large General Service	3.586		0.016		3.602
Lighting	3.586		0.000		3.586